

CA20N
AF
-Z222



Crop Insurance and Farm Credit

How it works —
from a lender's point of view



Guaranteed
Production



Ontario

Crop Insurance and Farm Credit

Helping the farmer get the most from his farming operation with the wise use of credit.

Farming is big business and it requires large outlays of cash just to put in a crop—for seed, fertilizer, fuel, etc. Many farmers will use bank or farm supply company credit in order to meet those costs of putting in a crop.

Farming is a risky business, too. Adverse weather conditions such as flood, frost, drought, and insects or diseases can cause crops to be substantially reduced in yield or even lost completely. And when that happens a great deal of operating capital, often borrowed, is lost.

Crop Insurance was established in Ontario in 1966 to help farmers protect themselves against natural losses. Farmers can use their insurance as loan security to protect you, the lender, in the event of crop loss.

Question :

What crops can farmers insure?

Answer :

Each insurable crop has its own plan and most major crops grown in the province are insurable. The insurable crops are winter wheat, corn (silage and grain), spring grain (oats, barley or mixed grain), soybeans, white beans, coloured beans, flax, new forage seeding, drought on hay and pasture, potatoes, onions (seed and sett), apples, pears, peaches, sweet cherries, sour cherries, grapes, plums, contract tomatoes, contract peas, contract sweet corn, contract red beets, contract green and wax beans, contract lima beans, contract peppers, flue-cured tobacco, burley tobacco, black tobacco and seed corn.

Question :

How can the lender make use of Crop Insurance?

Answer :

By making sure your credit customer has purchased insurance. Many loan applications now ask the question right on the loan form. Often it is sufficient to know your customer is insured. However, you may wish to ask for an assignment of the Crop Insurance benefit.

Question :

How does the assignment of indemnity work?

Answer :

The farmer must ask for the insurance assignment. This can be done on the Final Acreage Report or the Crop Insurance assignment form, or on any suitable written form. The

request, which may come at any time before a claim is paid, must come in written form. And must be signed by the farmer.

Once the request is received by Crop Insurance, confirmation of assignment is mailed to the assignee with a copy to the farmer.

The assignment is for a specific crop, for one year only.

Question:

How much security does Crop Insurance offer the farmer?

Answer:

Crop Insurance works on a production guarantee based on the crop in question and the yield experience of the farmer. Generally, the farmer is guaranteed between 70% and 80% of his average farm yield. As well, protection is available for replanting and for "bare ground" in case it is not possible to plant in the Spring.

The value of the guarantee depends on the price option the farmer chooses. Most plans have at least two options to allow some choice in coverage. As a rule, a farmer is able to quite adequately cover his input costs.

Question:

Is this a costly program to the farmer?

Answer:

The cost to the farmer varies from crop to crop but is quite low. The premium is heavily subsidized by the provincial government which pays all the administrative costs, and the federal government which pays 50% of the premium cost.

This means that the farmer is able to purchase government Crop Insurance at considerably less than half price.

Question:

Let's suppose a farmer has purchased insurance and made an assignment to a bank. If he has a claim, how is payment handled?

Answer:

Crop Insurance will process the claim and prepare the cheque. The cheque will be made out in the names of **both** the farmer and the bank, and mailed to the bank. A copy of the cheque is mailed to the farmer at the same time. It is then up to the bank and the farmer to get together and arrange disposition of the funds.

Question:

When are claim payments made?

Answer:

Production claims are known after a yield is harvested and recorded. This usually occurs in the Fall, around August-December. Once Crop Insurance receives a yield report from the farmer, claim cheques will go out in 2-4 weeks.

Replanting and bare ground claims are paid as they occur, usually in the Spring and early Summer.



3 1761 11469383 1

Question:

How does a farmer go about insuring a crop?

Answer:

Crop Insurance is sold either through independent Crop Insurance agents, processors or directly from head office.

The general field crops such as grain, corn, beans, etc. are sold through local agents. These agents are located in every county in Ontario, and will visit the farmer to service a new sale or renewal.

The contract processing crops such as tomatoes or peas are serviced through the processor, and farmers sign their applications at the same time as they sign their processing contracts.

The fruit crops such as apples or grapes are covered by fruit specialists who call on fruit growers in their area.

The specialty crops such as tobacco are sold by direct mail from head office.

Of course, any farmer wishing information may contact head office for details.

Question:

When does the farmer have to sign up?

Answer:

Most crops have application deadline dates and applications **cannot** be taken after the date. Many Spring crops have a deadline date of May 1st in Southern Ontario (May 15th in Northern Ontario). The winter wheat date is October 31st. Be sure to check the date for each crop!

Question:

How widely is Crop Insurance used in Ontario?

Answer:

In the 1977 crop year, close to 27,000 crops were covered, on 1.5 million acres. Total insurance liability was close to \$240 million. As costs have increased over the years, participation in crop insurance has certainly grown.

Brochures detailing the specific plans are available for many of the insurable crops. Please contact your local Crop Insurance Agent, or:

THE CROP INSURANCE COMMISSION OF ONTARIO
Legislative Buildings, Toronto, Ontario M7A 1B7
Telephone: (416) 965-1811

